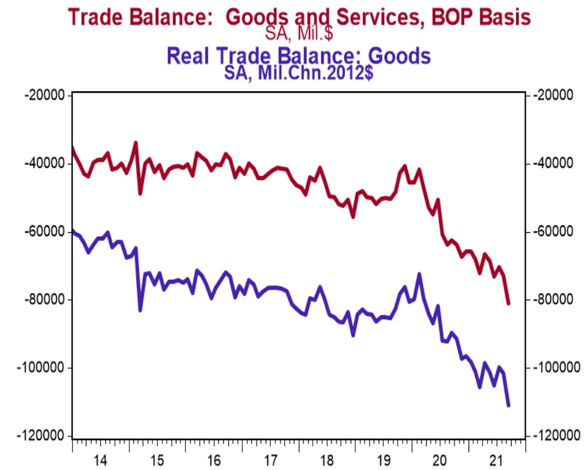
First Trust DATAWATCH

November 4, 2021 • 630.517.7756 • www.ftportfolios.com

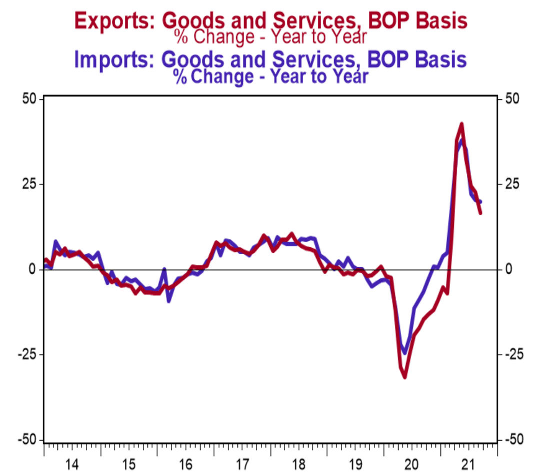
September International Trade

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Senior Economist
Andrew Opdyke, CFA – Senior Economist

- The trade deficit in goods and services came in at $80.9 billion in September, slightly larger than the consensus expected $80.2 billion.
- Exports declined by $6.4 billion, led by nonmonetary gold, crude oil, petroleum products, and precious metals. Imports rose $1.7 billion, led by cellphones & other household goods, computers, and organic chemicals.
- In the last year, exports are up 16.6% while imports are up 19.9%.
- Compared to a year ago, the monthly trade deficit is $18.3 billion larger; after adjusting for inflation, the "real" trade deficit in goods is $21.4 billion larger than a year ago. The "real" change is the trade indicator most important for measuring real GDP.



Source: Census Bureau/Haver Analytics



Source: Census Bureau/Haver Analytics

Implications: The trade deficit grew to a record $80.9 billion in September, as imports rose and exports declined. We like to follow the total volume of trade (imports plus exports), which signals how much businesses and consumers interact across the US border. That measure slipped 1.0% in September, but is up 18.5% versus a year ago. In general, the increase in the total volume of trade signals a recovery from COVID-19. Expect the trade deficit to remain volatile from month to month but generally get larger through year-end for a few reasons. First, the US is recovering from the coronavirus faster than most other countries. This means the demand for imports should continue to outstrip the demand for exports to the rest of the world. Second, the US is running low on inventories for many goods due to the surge in consumer spending, which has been artificially boosted by large government checks to consumers. That means the appetite for imports will remain much stronger than normal as companies try to restock their shelves and warehouses. Supply-chain issues continue as ports remain overwhelmed in the US. For example, the port of Los Angeles currently has 37 container vessels at anchor waiting to be unloaded with the average anchorage time right now at 14.1 days. Delta cases in the United States appear to have peaked, and we do not expect states to re-institute the large scale restrictions that hampered activity in 2020, so look for overall trade to keep expanding in the coming months as businesses across the US get back on their feet. In other news today, nonfarm productivity fell by a 5.0% annual rate in the third quarter. Output rose by 1.7% annualized while hours worked rose by 7.0% annualized, so *output per hour* declined. Productivity is down 0.5% from a year ago but don't expect this to last. Expect output to grow faster than hours over the coming year. "Real" (inflation-adjusted) compensation declined by 3.5% in Q3. On the manufacturing front, productivity declined at a 1.0% annualized pace in Q3 as hours (+6.7%) rose at a faster pace than output (5.7%). Also today, initial unemployment claims fell 14,000 last week to 269,000. Continuing claims fell 134,000 to 2.105 million. These figures suggest much faster job growth in October than in August and September. Again, these data show the Fed has ample room to make monetary policy less loose.

International Trade *All Data Seasonally Adjusted, $billions*	**Sep-21** **Bil $**	**Aug-21** **Bil $**	**Jul-21** **Bil $**	**3-Mo** **Moving Avg.**	**6-Mo** **Moving Avg.**	**Year-Ago** **Level**
Trade Balance	**-80.9**	-72.8	-70.3	-74.7	-72.1	-62.6
Exports	**207.6**	214.0	212.7	211.4	210.0	178.1
Imports	**288.5**	286.8	283.0	286.1	282.1	240.7
Petroleum Imports	**18.9**	18.1	17.9	18.3	17.4	9.2
Real Goods Trade Balance	**-111.0**	-101.5	-99.8	-104.1	-102.9	-89.6

Source: Bureau of the Census